

REFLECT SCIENTIFIC INC
Form 10-Q
November 10, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2011

or

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 000-31377

REFLECT SCIENTIFIC, INC.

(Exact name of registrant as specified in its charter)

Utah

87-0642556

(State or other jurisdiction of

(IRS Employer Identification No.)

incorporation or organization)

1270 South 1380 West Orem, Utah 84058

(Address of principal executive offices) (Zip Code)

(801) 226-4100

(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T

(§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files).

Yes [] No [X]

Applicable Only to Issuers Involved in Bankruptcy Proceedings During the Preceding Five Years:

Indicate by check mark whether the Registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a

court.

Not applicable.

Applicable Only to Corporate Issuers:

Indicate the number of shares outstanding of each of the Registrant's classes of common equity, as of the latest practicable date.

Class

Outstanding as of November 10, 2011

44,711,890 shares of \$0.01 par value common stock on November 10, 2011

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Part I - FINANCIAL INFORMATION

Item 1. Financial Statements

Reflect Scientific, Inc.

FINANCIAL STATEMENTS

(UNAUDITED)

September 30, 2011

The financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. However, in the opinion of management, all adjustments (which include only normal recurring accruals) necessary to present fairly the financial position and results of operations for the periods presented have been made. These financial statements should be read in conjunction with the accompanying notes, and with the historical financial information of the Company.

REFLECT SCIENTIFIC, INC.

Condensed Consolidated Balance Sheets

ASSETS

	September 30, 2011 (Unaudited)	December 31, 2010 (Audited)
CURRENT ASSETS		
Cash & cash equivalents	\$ 325,123	\$ 242,136
Accounts receivable, net	162,122	243,169
Inventories	445,853	376,751
Prepaid assets	7,779	7,779
Total Current Assets	940,877	869,835
FIXED ASSETS, NET	35,154	60,259
OTHER ASSETS		
Intangible assets, net	2,738,632	2,961,976
Goodwill	652,149	652,149
Deposits	6,200	3,100
Total Other Assets	3,396,981	3,617,225
TOTAL ASSETS	\$ 4,373,012	\$ 4,547,319

The accompanying notes are an integral part of these condensed consolidated financial statements.

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REFLECT SCIENTIFIC, INC.

Condensed Consolidated Balance Sheets (Continued)

LIABILITIES AND SHAREHOLDERS EQUITY (DEFICIT)

	September 30,	December 31,
	2011	2010
	(Unaudited)	(Audited)
CURRENT LIABILITIES		
Accounts payable	\$ 196,895	\$ 204,124
Short-term lines of credit	113,863	125,725
Convertible debenture	2,925,000	2,925,000
Interest payable	1,184,625	789,750
Capital leases	1,785	9,715
Accrued expenses	329	21,545
Loan from related party	24,000	24,000
Income taxes payable	400	400
Total Current Liabilities	4,446,897	4,100,259
TOTAL LIABILITIES	4,446,897	4,100,259
SHAREHOLDERS EQUITY (DEFICIT)		
Preferred stock, \$0.01 par value, authorized		
5,000,000 shares; No shares issued and Outstanding	-	-
Common stock, \$0.01 par value, authorized		
50,000,000 shares; 44,711,890 and 33,831,890		
issued and outstanding, respectively	447,119	338,319
Additional paid in capital	17,676,616	17,537,413
Accumulated deficit	(18,197,620)	(17,428,672)
Total Shareholders Equity (Deficit)	(73,885)	447,060

TOTAL LIABILITIES AND SHAREHOLDERS EQUITY (DEFICIT)	\$	4,373,012	\$	4,547,319
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The accompanying notes are an integral part of these condensed consolidated financial statements.

REFLECT SCIENTIFIC, INC.

Condensed Consolidated Statements of Operations

(Unaudited)

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2011	2010	September 30, 2011	2010
REVENUES	\$ 481,325	\$ 735,344	\$ 1,562,737	\$ 1,832,630
COST OF GOODS SOLD	224,307	443,941	780,119	975,378
GROSS PROFIT	257,018	291,403	782,618	857,252
OPERATING EXPENSES				
Salaries and wages	100,973	99,410	445,685	325,527
Rent expense	10,641	13,228	38,356	38,924
Research and development expense	14,281	-	21,537	7,144
General and administrative expense	183,712	166,912	645,125	503,469
Total Operating Expenses	309,607	279,550	1,150,703	875,064
OPERATING INCOME (LOSS)	(52,589)	11,853	(368,085)	(17,812)
OTHER INCOME (EXPENSE)				
Interest income	-	2	1	7
Interest expense - other	(1,946)	(2,218)	(5,989)	(6,673)
Interest on debentures	(131,625)	(131,625)	(394,875)	(394,875)
Total Other Expenses	(133,571)	(133,841)	(400,863)	(401,541)
NET LOSS BEFORE TAXES	(186,160)	(121,988)	(768,948)	(419,353)
Income tax benefit (expense)	-	-	-	-
NET LOSS FROM CONTINUING OPERATIONS	(186,160)	(121,988)	(768,948)	(419,353)

LOSS FROM DISCONTINUED OPERATIONS					
Loss from operations of Image Labs/Miralogix, net of tax	-	-	-	(199,909)	
Loss on disposal of Image Labs/Miralogix, net of tax	-	-	-	(947,941)	
NET LOSS FROM DISCONTINUED OPERATIONS	-	-	-	(1,147,850)	
NET LOSS	\$	(186,160)	\$	(768,948)	\$ (1,567,203)
BASIC AND DILUTED INCOME(LOSS) PER SHARE	\$	(0.01)	\$	(0.02)	\$ (0.05)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING		44,711,890		40,862,732	34,552,110

The accompanying notes are an integral part of these condensed consolidated financial statements.

REFLECT SCIENTIFIC, INC.

Condensed Consolidated Statements of Cash Flows

(Unaudited)

For the

Nine Months Ended

September 30,

	2011		2010
Net loss	\$ (768,948)	\$	(1,567,203)
Loss on Disposal of Discontinued Operations	-		947,941
Loss from Discontinued Operations	-		199,909
Loss from Continuing Operations	(768,948)		(419,353)
Adjustments to reconcile net loss to net cash provided by operating activities:			